Marketing communication

Newsletter

Emerging Market

August 2026

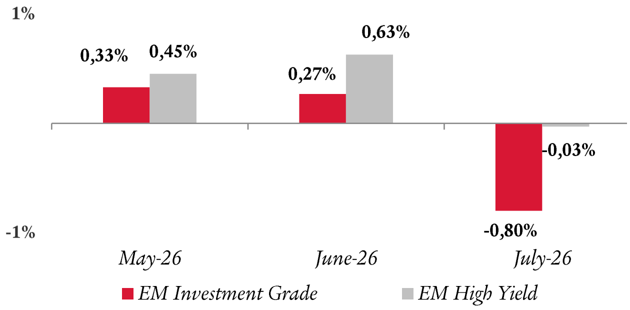
In July, tensions between the United States and Iran dominated the markets,alongside uncertainties surrounding the Fed, AI funding and volatility in the technology sector. US yields rose, particularly at longer maturities, driven by higher oil prices and inflationary fears.
In emerging markets, Asia benefited from the semiconductor cycle, whilst EEMEA and Latin America were weighed down by geopolitical risks and inflation. Despite a slowdown in capital inflows, solid fundamentals limited the widening of spreads to +3 bp for emerging market corporate debt and +9 bp for emerging market sovereign debt.

Monthly highlights

Performances: Investment Grade vs High Yield

Investment-grade bonds underperformed high yield in July, as the latter benefited from higher carry, modest spread compression, and lower duration.

Performance EM Investment Grade and High Yield Bonds

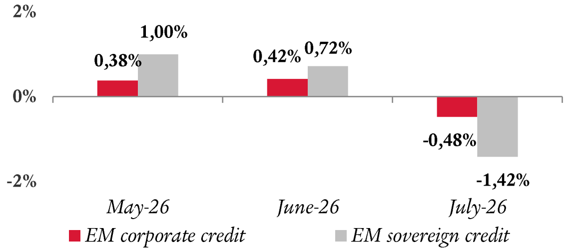


Source: Swiss Life Asset Managers, data as of 31.07.2026

Performance: Corporate vs Sovereigns

Corporates outperformed sovereigns in July, benefiting from lower sensitivity to U.S. Treasury movements and more limited spread widening.

Performance EM Hard Currency and Local Currency Corporates



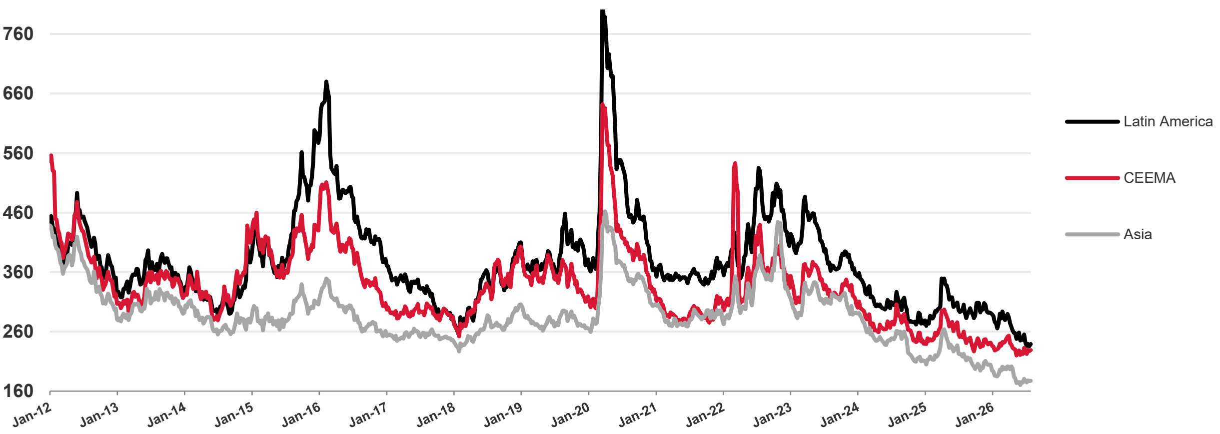
Source: Swiss Life Asset Managers, data as of 31.07.2026

Disclaimer: Source: Swiss Life Asset Managers France, Bloomberg. This presentation contains historical market data. Historical market trends are not a reliable indicator of future market behavior. These data are provided for illustrative purposes only. Depending on the date of publication, the information presented may differ from the updated data.

Regional Performance

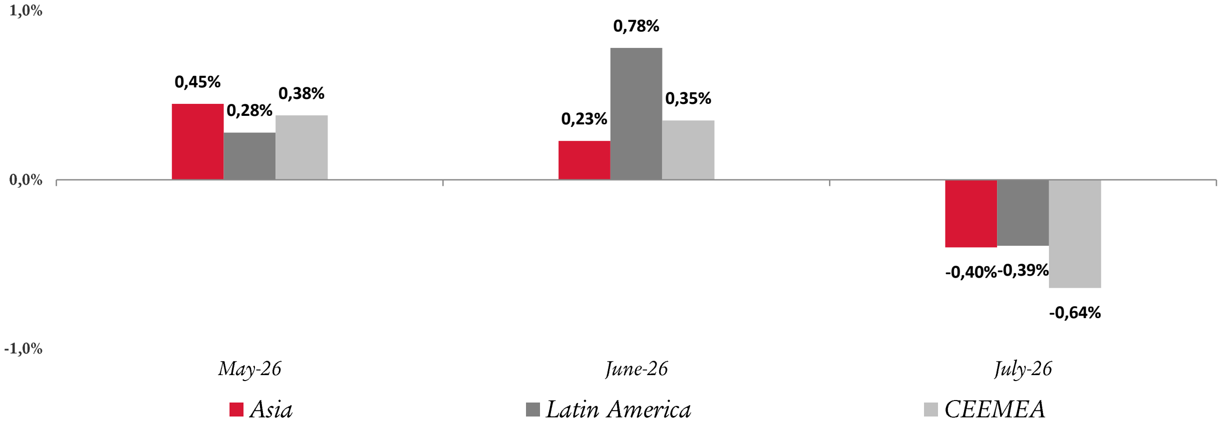
The resurgence of tensions in the Middle East after the ceasefire broke down had a more pronounced negative impact on regional credit spreads, resulting in underperformance relative to the other regions.

Regional Credit Spreads - EM Hard Currency Corporate Bonds



Source: Swiss Life Asset Managers, data as 31.07.2026

Regional Performance – EM Hard Currency Corporate Bonds



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The Figure of the month

Josipa Markovic
Emerging markets economist

107

South Korea Consumer Confidence Index in July

Macroeconomic environment

North Asia's technology hubs, South Korea and Taiwan, continue to surprise on the upside, reporting stronger-than-expected GDP growth in the second quarter. While both economies remain heavily dependent on the AI-driven semiconductor cycle, the nature of the expansion is gradually changing. What began as a narrowly concentrated technology boom is increasingly spilling over into the broader economy, supporting domestic demand and a wider range of industries. Exports and semiconductor investment continue to provide the main engine for growth in both countries. However, recent data suggest that the benefits of the tech boom are becoming more widely distributed. Industrial production outside the semiconductor sector has strengthened in both economies and consumption is also gaining momentum. In South Korea, July consumer confidence rose for a third consecutive month to 107, suggesting households are becoming more optimistic about income and employment prospects despite recent financial market volatility. Hence, while both economies remain closely tied to the AI cycle and are therefore vulnerable to any significant downturn in AI-related demand , the transmission of that growth impulse into the wider economy makes the expansion more resilient and bodes well for growth beyond semiconductors and technology hardware.

Emerging markets show resilience despite tariff uncertainty and oil disruptions

The aggregate EM manufacturing PMI eased in July but remained comfortably in expansionary territory at 51.0. The moderation was largely driven by weaker readings in China, that is weighed down by persistently weak domestic demand as well as disruptions to oil supplies, which should however fade when shipping through the Strait of Hormuz normalizes. Another notable weak spot was Brazil, where the manufacturing PMI contracted sharply under the weight of highly restrictive monetary conditions. Beyond these pockets of weakness, the broader EM universe showed improving momentum in July, with PMI readings strengthening further from June and moving deeper into expansionary territory. This points to a resilient growth backdrop, particularly on the domestic side, as new orders continued to expand despite ongoing uncertainty around tariffs and global oil flows. In North Asia, the AI-driven investment cycle remains a key tailwind, supporting export demand while increasingly spilling over into a broader range of manufacturing industries.

OUR STRATEGY

"EM Credit: Strong Fundamentals Tempered by Emerging Macro Headwinds."

Dorthe Fredsgaard Nielsen
Emerging Market Senior Portfolio Manager

Gabriele Bartoletti, CFA
Emerging Market Senior Portfolio Manager

Strategy for Emerging Markets

Entering August, a month there is normally slow in terms of new issuances support the technical backdrop, particularly if the tension in the Middel East remains elevated. The positive rating monument continues with latest Argentina and a larger number of corporate in the country as well as SK Hynix being upgraded.

Market pricing suggests investors expect the recent escalation in Middle Eastern tensions to remain contained and ultimately de-escalate. Together with the gradual restoration of shipping traffic through the Strait of Hormuz, this has helped alleviate concerns over prolonged disruptions to energy markets and a sustained increase in oil prices.

Although the fundamental backdrop for EM credit remains supportive, the strong rally in recent months has reduced valuation buffers. As a result, we continue to favour a selective and fundamentally driven investment approach. We remain cautious towards issuers facing significant refinancing needs or heightened exposure to external headwinds, as a renewed rise in energy prices, US dollar strength, or higher US Treasury yields could challenge funding conditions and weigh on credit quality.

Narrowing spread differential between the Emerging Market IG corporate and US IG corporate.

Emerging market investment-grade corporate credit continues to demonstrate resilience, with spreads now trading close to those of US investment-grade corporate bonds. While such tight valuations may appear stretched at face value, several structural factors suggest compression is justified and could persist.

Diverging supply dynamics between the US and EM credit markets have been a key driver of relative performance. In the US, substantial issuance from hyperscalers, data center operators, and other AI-related borrowers, together with expectations of further near-term supply, has created upward pressure on spreads. In contrast, EM investment-grade issuers have maintained a disciplined issuance profile, while strong domestic demand continues to underpin favorable technical conditions, particularly in Asia and the Middle East.

Importantly, headline spread comparisons understate the relative value available in EM corporates. The EM investment-grade universe has a shorter duration profile than its US counterpart and has experienced a notable improvement in credit quality over the last decade, with a greater share of higher-rated issuers. As a result, investors continue to receive an attractive spread pickup on a duration-adjusted basis despite the narrowing headline spread differential for similar rated companies.

About Swiss Life Asset Managers

Swiss Life Asset Managers has more than 165 years of experience in managing the assets of the Swiss Life Group. This insurance background has exerted a key influence on the investment philosophy of Swiss Life Asset Managers, which is governed by such principles as value preservation, the generation of consistent and sustainable performance and a responsible approach to risks. Swiss Life Asset Managers offers this proven approach to third-party clients in Switzerland, France, Germany, Luxembourg, the UK, Italy and the Nordic countries.

As at 31 December 2025, assets under management for third-party clients amount to EUR 156.5 billion. Together with insurance assets for the Swiss Life Group, total assets under management at Swiss Life Asset Managers stood at EUR 309.6 billion. Swiss Life Asset Managers is a leading institutional real estate investor in Europe1. Of the assets totalling EUR 309.6 billion, EUR 96.1 billion are invested in real estate. In addition, Swiss Life Asset Managers, in cooperation with Livit, manages real estate totalling EUR 26.3 billion in value. Total real estate assets under management and administration at the end of December 2025 thus came to EUR 122.4 billion.

Swiss Life Asset Managers employs more than 2 300 people in Europe.

A financially self-determined life

Swiss Life enables people to lead a financially self-determined life and look to the future with confidence. Swiss Life Asset Managers pursues the same goal: We think long-term and act responsibly. We use our knowledge and experience to develop future-oriented investment solutions. This is how we support our customers in achieving their long-term investment objectives, which in turn also take account of their client's needs so they can plan their future in a financially self-determined manner.

[1] #2 IPE Top 150 Real Estate Investment Managers 2025 Ranking Europe, #2 INREV Fund Manager Survey 2025

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